



City of Rockville Mayor and Council Agenda Item

For the meeting on:	October 17, 2011
Agenda Item Type:	Presentation
Department:	Recreation and Parks
Responsible staff:	Burt Hall, Director of Recreation and Parks phone: (240) 314 - 8602 email: bhall@rockvillemd.gov

Subject

Presentation of Recommendation to Mayor and Council - RFP #43-11 - Management or Lease of RedGate Municipal Golf Course. Staff will present an overview of the RFP process and results, followed by a presentation of the recommended proposal from Billy Casper Golf (BCG).

Recommendation

Staff recommends the Mayor and Council approve a contract award to Billy Casper Golf of Vienna, VA, for a ten-year Operating Lease of RedGate Municipal Golf Course, with the option to extend the lease for four, additional five-year periods, with mutual consent of the City and BCG. The lease is to begin no later than January 1, 2012, as required by the RFP.

The lease, as proposed by BCG, will allow the City to continue to offer a quality municipal golf course, provide needed capital investment to upgrade facilities and equipment, while relieving the City of the need to provide financial subsidies for the operation and management of RedGate, thereby eliminating future use of taxpayer dollars to support the golf course.

Staff recommends that the Mayor and Council authorize the City Manager to execute such lease according to the recommendations contained herein, in a form approved by the City Attorney's office.

Staff recommends that the Mayor and Council direct staff to return to the Mayor and Council with resolutions regarding the recommended percentage reduction of the Admission and Amusement Tax, as it is applied to public golf courses, and the recommendation to rebate the City's portion of the Property Tax.

Discussion

Background Information

Following discussions at multiple meetings during winter/spring 2011, the Mayor and Council directed staff to proceed with the recommended process to seek proposals for contract management or lease of RedGate Municipal Golf Course. The Request for Proposal (RFP #43-11 - Attachment A) was developed by staff, with assistance from the National Golf Foundation, and issued on June 1, 2011, with proposals due on June 30.

The overall goals and objectives of the RFP process were stated in the RFP as follows:

"The City of Rockville (City) seeks competitive proposals to secure a contract with a qualified golf management firm (Offeror) to operate, maintain, and market an 18-hole championship golf course for the City. The offeror will perform all services identified in these specifications including all services set forth in the attached schedules. Services to include, but not limited to providing:

- "1. High quality, state of the art golf course operations with emphasis on excellent course playability and an exceptional level of customer service.
2. Maintenance of golf course and all facilities to preserve and nurture the City's investment.
3. Operate and manage the pro shop and golf cart operation.
4. Food and refreshment service in the clubhouse and on the course.
5. Promote and market the course to improve RedGate's market share.
6. Develop and implement recommendations for a capital improvement master plan.
7. Initiate new programs and services to increase usage of the facility.

"Offerors have the option of submitting a proposal reflective of an "operating lease" or "full-service management agreement" approach. The offeror may submit a proposal on either or both approaches.

PHILOSOPHY OF CITY AND INTENT OF OPERATION

"It is the philosophy, intent and expectation of the City to provide for its citizens an upscale golfing environment with course playing conditions and a customer service level commensurate with other upscale daily fee golf courses in the area. The daily fees are to be comparable to those fees charged by other competing public/municipal golf courses for similar services and facilities. The City envisions the golf course to provide a source of city-wide pride and a statement of the City's progressive attitude toward recreational services.

"The City fully expects the facility to be operated at the highest current golf industry standards from both the management of the operations as well as the maintenance of the putting surfaces, tees, fairways, sand traps, landscaping, overall turf quality and agronomy. These high standards can only be met through a professional management team that has the adequate staffing, training and experience to provide these services on behalf of the City. The successful offeror will be required to procure all goods and services necessary for the operation of the facility, and to develop plans for any needed facility improvements. Lease offerors will be expected to plan, implement and fully fund all facility improvements; full-service management offerors will work with the City to plan and implement capital improvements."

Management and Lease Options for Outsourcing the Golf Course

As directed by the Mayor and Council two options were made available to proposers in the RFP - a Management Contract and an Operating Lease.

Management Contract

In the Management Contract scenario, the contractor would be required to operate and maintain the course under the specifications set forth in the RFP. The City would pay the company a management fee for this service that would include a guaranteed annual payment and an incentive payment should the contractor exceed agreed-upon net income thresholds in any given fiscal year. Expenditures (including direct and overhead), and revenues for the golf course operation would remain on the City's books and the City would be responsible for covering all capital improvement expenses. A substantial portion of the City's administrative overhead charge (CAP) would be eliminated based on the fact that the management company takes responsibility for many of the services the City now provides to RedGate. The City would be responsible for covering any operating losses and would retain any net income, less incentive

payments, at the close of each fiscal year.

Operating Lease

Under the Operating Lease scenario, a lessee would be required to operate and maintain the course under the specifications set forth in the RFP. The lessee would take full financial responsibility for operations, and would pay the City a guaranteed annual payment, along with sharing a percentage of excess revenues over expenditures above agreed-upon thresholds. Operating losses, if any, would be covered by the lessee. The lessee would also pay for capital improvements. Large capital projects would require specific City approval. The City would, however, have less influence over how the course was operated. Under an Operating Lease the City's financial risk would be greatly reduced.

NOTE: There are three principal options available to the City for the future operation of RedGate: 1) Course Lease as solicited in the RFP, and described above; 2) Management Contract as solicited in the RFP, and described above; and 3) continued Self Operation with City staff. The financial implications for these three options, including analysis and projections of required taxpayer support under each option, are presented in the Fiscal Impact section (below).

* * *

Proposed Lease by Billy Casper Golf

The BCG Operating Lease proposal (Attachments C & D) is fully responsive to the City's requirements for operation and management of RedGate Golf Course, as specified in the Request for Proposal. If awarded the contract, BCG has agreed to the initial ten-year term, (with options to renew) and with the identified start date of January 1, 2012. BCG is one of the largest operators of municipal golf courses in the U.S. market, currently servicing more than 70 municipal golf course clients.

In his written reference comments regarding BCG's proposal, Richard Singer from NGF Consulting, stated (see Attachment B):

"[BCG's] operations plan is complete and recognizes right up front that there is upside potential (growth opportunities) for RedGate. There are specific goals noted: passes, rounds, yield management, etc. These are key for good operations and the ones listed are achievable. The BCG operations plan is centered around key "touch points" in the guest experience. The plan seems professional and specific to RedGate, includes key details on POS, Internet, pace of play, etc. Tournaments are a focus, a key in this market. There is a retail plan that will use the buying power of a national company, plus promotions that are based on the needs of the RedGate golfer (favorable).

"Organization looks appropriate, but does not identify key individuals for the RedGate operation. However, BCG notes making an effort to retain existing staff. Detailed position descriptions are included and the plan notes training and the "ACE" program. The Staff plan is lean (no F&B manager) and includes:

3 FT salary
2 FT hourly
10-38 PT

"F&B [food & beverage] vision is outstanding with a note about banquets and other non-golf events.

"The sample marketing plan hits all key elements and is appropriate for RedGate. It hits all the key modern elements (email, internet, social, etc.) and has strong elements for player development, women in golf, youth programs, etc., including the BCG rewards program.

"Golf course maintenance plan very specific and will meet the City's criteria. BCG talks about a maintenance plan that is environmental / green, and notes experience with Audubon Society which is

positive for Rockville.

"The senior staff is clearly well qualified with the appropriate experience. I am familiar with many of these individuals, all with outstanding reputations in the golf industry. BCG notes having 20+ facilities in the region including several municipalities; many of which I am familiar or have consulted directly with. BCG has a strong reputation for performance in municipal golf.

"One specific facility noted on the list is Falmouth, MA, which I toured and met with key people back in 2009. This is a lease-type arrangement that has worked well for the Town of Falmouth and involved some BCG capital investment. The example / references provided include a show of actual before BCG and after BCG results.

- Overall very professional with all elements addressed.
- Company has reputation for delivering on proposals.
- Several specific muni examples out there to review.
- No RedGate team identified, but BCG has a reputation for retaining existing employees."

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Key Financial Elements of Billy Casper Golf (BCG) Operating Lease Proposal

There are six key financial elements contained in the BCG Lease Proposal, as follows:

1. Guaranteed Annual Payments to City over 10-year term
2. Golf Revenue Share (percentage payments to City above thresholds of cart fees, green fees, driving range sales and annual pass/card sales)
3. Other Revenue Share (percentage payments to City above thresholds of food & beverage sales, pro shop sales and room rentals)
4. Capital Investments (course & facility improvements, new and replacement equipment)
5. Capital Improvements (course & facility improvements, new and replacement equipment funded from percentage of annual gross revenues beginning Year 2)
6. Total Capital Investment (total payments to City and investments in course and facilities, including all above categories)

1. Guaranteed Annual Lease Payments to City for 10-year Term:

<u>Year</u>	<u>Guaranteed Annual Payment to City</u>
1. 2012	\$ 12,000
2. 2013	\$ 12,000
3. 2014	\$ 12,000
4. 2015	\$ 12,000
5. 2016	\$ 12,000
6. 2017	\$ 24,000
7. 2018	\$ 24,000
8. 2019	\$ 24,000
9. 2020	\$ 24,000
10. 2021	\$ 24,000
TOTAL:	\$180,000

2. Golf Revenue Share*

BCG agrees to pay the City, in addition to the Guaranteed Annual Payment, 25% of Gross Golf Revenue over \$1,100,000 and 50% over \$1,300,000 (thresholds increased by 1% each year) annually, computed and paid monthly once threshold is met. Gross Golf Revenue shall be defined as cart fees, green fees, driving range sales and annual pass/card sales.

<u>Year</u>	<u>Estimated Revenue Share to City</u>
1. 2012	\$ 11,567
2. 2013	\$ 33,922

3. 2014	\$ 49,230
4. 2015	\$ 54,991
5. 2016	\$ 56,103
6. 2017	\$ 63,977
7. 2018	\$ 72,095
8. 2019	\$ 80,463
9. 2020	\$ 81,950
10. 2021	<u>\$ 90,695</u>
TOTAL:	\$594,993

3. Other Revenue Share*

BCG agrees to pay the City, in addition to the guaranteed annual payment, 5% of Other Revenue over \$250,000 and 10% over \$450,000 (thresholds increased by 1% each year) annually, computed and paid monthly once threshold is met. Other Revenue is defined as Gross Food & Beverage sales, pro shop sales and room rentals.

<u>Year</u>	<u>Estimated Revenue Share to City</u>
1. 2012	\$ 2,369
2. 2013	\$ 3,517
3. 2014	\$ 4,471
4. 2015	\$ 4,703
5. 2016	\$ 4,942
6. 2017	\$ 5,187
7. 2018	\$ 5,439
8. 2019	\$ 5,699
9. 2020	\$ 5,966
10. 2021	<u>\$ 6,241</u>
TOTAL:	\$48,534

4. Capital Investments

BCG proposes an initial investment of \$175,000 in Year 1 to include a point of sale System (POS); new golf carts; clubhouse interior and driving range improvements, and a new tournament outing pavilion. The maintenance equipment will be replaced and supplemented as necessary throughout the term of the Lease Agreement equitably via this capital fund and BCG's contributions - shown in years 6-10. The golf cart fleet will be replaced every five years.

<u>Year</u>	<u>Guaranteed Capital Investment in Course/Facilities/Equipment</u>
1. 2012	\$175,000
2. 2013	\$0
3. 2014	\$0
4. 2015	\$0
5. 2016	\$0
6. 2017	\$ 30,000
7. 2018	\$ 30,000
8. 2019	\$ 30,000
9. 2020	\$ 30,000
10. 2021	<u>\$ 30,000</u>
TOTAL:	\$325,000

5. Capital Improvements*

BCG agrees to invest 2.5% of gross revenue towards ongoing capital improvements starting in Year 2.

<u>Year</u>	<u>Estimated Capital Improvements</u>
1. 2012	\$ 0
2. 2013	\$ 39,707
3. 2014	\$ 42,079

4. 2015	\$ 42,966
5. 2016	\$ 43,540
6. 2017	\$ 44,461
7. 2018	\$ 45,403
8. 2019	\$ 46,366
9. 2020	\$ 46,993
10. 2021	<u>\$ 47,993</u>
TOTAL:	\$399,508

*The estimated Revenue Share Payments (# 2 & #3 above) and Capital Improvements Investments (#5 above) are based on BCG's performance projections, and are not guaranteed.

6. TOTAL CAPITAL INVESTMENT

BCG estimates its total investment, including Guaranteed Annual Lease payments, revenue share with the City, Capital Investments, and its obligation to provide initial equipment to be the following:

<u>Year</u>	<u>Estimated Total Capital Investment</u>
1. 2012	\$ 200,937
2. 2013	\$ 89,146
3. 2014	\$ 107,780
4. 2015	\$ 114,660
5. 2016	\$ 116,585
6. 2017	\$ 167,625
7. 2018	\$ 176,937
8. 2019	\$ 186,528
9. 2020	\$ 188,910
10. 2021	<u>\$ 198,929</u>
TOTAL:	\$1,548,037**

**This represents the estimated total financial benefit to accrue to Rockville taxpayers and to RedGate Golf Course over the initial ten-year lease period.

Other Key Elements of the Lease (For a complete listing of lease requirements, see Attachment A [RFP], pp A8-A15.)

A. Security Deposit - Lessee required to provide a security deposit (\$250,000 performance bond) to remain in effect for the duration of the term(s).

B. Capital Improvements - Lessee expected to perform capital improvements to the facilities and is responsible for all planning, expenses, permits, contracting, etc. City approval required for projects anticipated to cost more than \$100,000.

C. Termination for Convenience - City has right to terminate the lease for convenience after the fifth anniversary. City shall reimburse contractor for approved capital projects.

D. Termination for Cause - City has right to terminate the lease at any time for cause, for reasons including failure of the contractor to perform according to the terms, as well as violation of laws or regulations, failure to meet the performance standards for the facility, breach of fiduciary obligations, and others.

Debt Service

The annual debt service in the RedGate Fund will be paid by BCG. The total debt service amount to be paid by BCG over the initial 10-year lease term is \$314,436 (FY 2012 through FY 2021).

Taxes

Under the leased operation, the Maryland Department of Assessment and Taxation treats the RedGate operation as a private business, thereby subject to all applicable taxes, including:

- **Sales Tax** (6%) - applies to merchandise, food & beverage, golf cart rentals and golf club rentals.
- **Admission & Amusement Tax** (variable up to 10%) - applies to green fees and golf cart rentals. The City has discretion to reduce this tax as it is applied to public golf courses to zero percent, which is recommended by staff. County-operated courses are not required to collect this tax, nor is it now collected at RedGate. Exempting RedGate from collecting this tax will maintain the contractor's ability to charge fees that are competitive with the County-operated courses. Since this tax is not being collected now at RedGate, this exemption will have no effect on future City tax revenues.
- **Property Tax - Real and Personal** - (variable rates; collected by City, County and State) - Staff recommends rebating to BCG the City's portion of the overall property tax. BCG will be required to pay County and State portions. Since this tax is not being collected now on RedGate property, this exemption will have no effect on future City tax revenues.

NOTE: Should the Mayor and Council approve the proposed BCG Operating Lease option, the recommendations to set the Admission & Amusement Tax rate to zero percent for public golf courses, and to rebate the City's portion of the Property Tax to the contractor will need to be approved by resolution. These items will be placed on the Mayor and Council agenda for approval at an upcoming meeting.

Assets

The City would continue to own and depreciate the assets.

Proposed BCG Marketing Plan

BCG's proposal (Attachment D) includes an extensive and detailed marketing plan to be implemented beginning in Year 1, with a five-part strategy:

- Marketing Systems
- Guest Acquisition Systems
- Guest Retention Systems
- Sales Programs
- Quality Assurance Programs

An overview of the full plan is in Attachment D, pp. D36-D44.

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Proposed Management Contracts - Key Elements

The proposed Management Contracts received under this RFP would provide for course operations and management services on a nearly identical basis to the proposed Operating Lease. The specified contract term is different in this scenario, with an initial four-year term which may be renewed for two, additional four-year terms at the City's discretion. The Management Contract option would commence no later than January 1, 2012.

The financial terms for the proposed Management Contracts are substantially different compared to the proposed Lease. For purposes of information and comparison to the proposed BCG Lease terms, the

information below is based on the highest rated Management Proposal, which is also BCG's.

NOTE: For a comparison of the fiscal impacts to the City's budget of the four top-rated Management Proposals, see the Fiscal Impact section below.

A. Operating Budget - The operating expense and revenue budgets would remain on the City's books and be based annually on a negotiated agreement between the City and the Contractor. BCG's proposed budget for Year 1 is:

Revenues	\$1,461,505
Expenses	\$1,392,351
Net to City	\$ 69,154

The expense budget includes a fixed management fee paid by the City to BCG of \$81,000, plus a projected incentive-based fee of \$13,937.

B. Capital Improvements - Consistent with their Lease Proposal, BCG proposes \$175,000 in capital improvements for Year 1. NGF recommended a capital expenditure of \$200,000 in Year 1, which is the amount used in the Fiscal Impact section to provide a consistent capital expenditure amount among the four top-ranked Management Proposals. This capital improvement cost would be paid for by the City.

C. Debt Service - Under a Management Contract the City would be responsible for paying the annual debt service. In Year 1 the interest portion would be \$10,162.

D. Depreciation - Under a Management Contract the City would be responsible for paying the annual depreciation on RedGate assets. In Year 1 the depreciation amount would be \$125,100.

E. Administrative Fee from General Fund (CAP) - Under a Management Contract, the RedGate fund would continue to receive services from the General Fund, and would be charged an annual Administrative Fee estimated to be \$60,000. This is substantially less than the Administrative Fee charged under the City operation scenario.

F. **Bottom Line Net Cost/Subsidy (Year 1) = \$326,108** - While the proposed BCG *operating budget* would generate an estimated net income of \$69,154, the additional costs borne by the City in this scenario, (Capital Improvements, Debt Service, Depreciation, Administrative Fee) would generate a Net Cost to taxpayers of \$326,108 (using the NGF recommended capital improvements budget of \$200,000).

The total Net Cost/Subsidy for the RedGate Fund over the initial four-year Management Contract (BCG Proposal) is projected to be \$688,279.

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SUMMARY

Staff is recommending the proposed Operating Lease option as it allows RedGate to operate as a golf course into the future without reliance on taxpayer funding.

Mayor and Council History

The Mayor and Council receive regular quarterly reports on the status of Golf Fund finances, from the Finance Department presented at Mayor and Council meetings as part of the overall quarterly financial reports.

A comprehensive Financial Review of RedGate was presented by staff at the March 27, 2006 Mayor and Council meeting.

The proposed Five-Year Business Plan for RedGate was presented to and adopted by Mayor and Council on May 22, 2006.

An update report on the RedGate Business Plan was presented to the Mayor and Council on March 30, 2009.

The Mayor and Council received presentations on two unsolicited proposals for alternative uses of RedGate on June 7, 2010.

The Mayor and Council received a staff report on the results of the Request for Information (RFI) process on June 14, 2010.

The Mayor and Council received a staff report with an update on RedGate's performance in relation to the Five-Year Business Plan goals and performance measures on June 21, 2010.

The Mayor and Council received a report from the RedGate Advisory Group on September 13, 2010.

The Mayor and Council discussed future options for RedGate Golf Course at a worksession held on September 20, 2010. After considerable discussion the Mayor and Council directed staff to develop a contract with National Golf Foundation Consulting Services to provide a study on the present and future viability of RedGate Golf Course.

At the Mayor and Council's January 10, 2011 meeting, NGF Director of Consulting Services Richard Singer presented the results of the study and NGF's recommendations for changes to the RedGate Operational model, plus improvements to the course and facilities, marketing, food & beverage, etc. Following the presentation the Mayor and Council engaged Mr. Singer in a lengthy question and answer session.

At the Mayor and Council's February 7, 2011 meeting, the NGF report was discussed and the Mayor and Council voted to direct staff to proceed to work with NGF to develop an RFP to solicit bids to outsource the management of the golf course. The Mayor and Council also approved the option to solicit and accept proposals to lease the course. In addition, the Mayor and Council directed staff to develop a job description for an in-house Director of Golf position, to provide an option to continue with City operation and management of the golf course.

At the Mayor and Council's March 28, 2011 meeting, following discussion of the calculation error contained in the NGF report, staff was directed to proceed with the RFP process.

In addition, the Mayor and Council review and approve the RedGate expenditure budget and projected revenues annually as part of the overall City budget process.

Options Considered

There are three principal options available to the City for the future operation of RedGate: 1) Course Lease as solicited in the RFP; 2) Management Contract as solicited in the RFP; and 3) continued Self Operation with City staff. The financial implications for these three options, including analysis and projections of required taxpayer support under each option, are presented in the Fiscal Impact section (below).

Public Notification and Engagement

During the past year there has been considerable public notification and engagement in the discussion on RedGate's future, with many citizens attending and providing comments at Mayor and Council meetings and worksessions, and by email. In addition the RedGate Advisory Group has been involved in

worksessions, and provided input during the NGF Study. 370 RedGate customers returned completed surveys as part of the NGF Study.

Boards and Commissions Review

The Recreation and Park Advisory Board has discussed RedGate's future at numerous meetings over the past year and approved the following motion at their July 22, 2010 meeting:

"The highest priority is to maintain RedGate as open space/parkland in its entirety.

- The Board's preference is that it remain operating as a golf course, either managed by the City or by a management company, and on a reasonable cost recovery basis.
- If it is not possible to keep it open as a golf course, the land should be maintained by the city either as a passive or active park."

Procurement Information

RFP #43-11 - Management or Lease of RedGate Municipal Golf Course - was publicly advertised beginning June 1, 2011, on the City's website, and on e-Maryland Marketplace, the State of Maryland's internet based e-procurement system. In addition, the RFP was sent electronically to the top 20 largest golf management companies, based on a list provided by the National Golf Foundation (NGF). The RFP was also sent to a larger nationwide list of golf course operators and contractors provided by NGF, a total of more than 180 companies.

Eight (8) proposals were received on or before the due date of June 30, 2011. Seven (7) of the companies selected the option to propose a Management Contract. One of these seven, Billy Casper Golf, also submitted a proposal for an Operating Lease. One company, Kitson & Partners, proposed a management consulting contract with continued self-operation by the City. This proposal was judged non-responsive by the review committee.

The management proposals were rated by a City staff committee composed of Burt Hall, Director of Recreation and Parks, Steve Mader, Superintendent of Parks and Facilities, Christine Henry, Recreation and Parks Administration Manager, Linda Moran, Assistant to the City Manager, and Gavin Cohen, Director of Finance. Eileen Morris, Purchasing Manager, provided input, oversight and assistance in developing the RFP and throughout the process.

Each committee member independently scored each proposal, according to the following criteria:

a. Proposed Operations and Business Plan including Proposed Expenses/Revenues	25%
b. Operating Experience	25%
c. Proposed Base Management Fee/Incentive Program	20%
d. Financial Capability/Reporting and Accountability	10%
e. Capital Improvement Plan	10%
f. References	10%

The rating scores for the Management Contract proposals were as follows:

Company	Rating Score
Billy Casper Golf, Vienna, VA	90.6
Kemper Sports, Northbrook, IL	87.8
Raspberry Golf Management, Leesburg, VA	77.2
Landscape Golf Group, Lincoln, NE	75.0
Western Golf Properties, Lake Forest, CA	73.6

Applied Golf, Millstone, NJ	61.4
Atlantic Golf Management, Inc., Farmingdale, NJ	60.6
Kitson & Partners Clubs, Palm Beach Gardens, FL	15.4

The Operating Lease proposal was rated by the same City staff committee, with each member independently scoring the proposal, according to the following criteria:

a. Proposed Operations and Business Plan	20%
b. Operating Experience	20%
c. Financial Capability/Reporting and Accountability	15%
d. Fee Offer	20%
e. Capital Improvement Plan	15%
f. References	10%

The rating score for the Operating Lease proposal was as follows:

Billy Casper Golf	94.0
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Four finalists were selected by the committee:

Billy Casper Golf	Vienna, VA
Kemper Sports	Northbrook, IL
Raspberry Golf Management	Leesburg, VA
Landscape Golf Group	Lincoln, NE

Additional clarifying information was requested and obtained regarding the specifics of each of the finalists' proposals. The staff committee visited a local/regional golf course under operation by each finalist and interviewed the management team of each finalist.

Following the tour/interviews, the committee finalized their ratings and unanimously judged the Billy Casper Golf Operating Lease proposal to be the highest rated and most advantageous for the City.

References

Staff checked references for multiple public golf courses under management or lease by Billy Casper Golf, both in the mid-Atlantic region and in other sections of the U.S. References included municipalities, County systems and HOA's, with courses that have been under management for many years, and others in which BCG was recently hired.

All of the references were highly positive, with many comments such as:

- "BCG is very knowledgeable, goal driven, businesslike"
- "We have a high trust level with BCG"
- "BCG is very responsive when a problem comes up."
- "BCG has been very aggressive in providing strong course maintenance."
- "The transition was as seamless as it could have been."
- "Best decision we ever made"
- "Couldn't be more pleased with BCG's overall services"
- "They do mystery shopping to check their customer service and follow up with improvements that are identified."

With one exception, every one of the references stated that BCG has met the established financial goals. In the exception case, the financial goal was missed one year out of the past four.

Fiscal Impact

The following information describes the fiscal impact to the City's budget and Rockville taxpayers for three options for continued operation of the golf course, including continued self-operation as-is, as well as the Operating Lease and Management Contract options.

Chart A below represents the financial estimates if the City continues to self operate RedGate under the current structure. The source for the information in this chart is the FY 2011 Adopted Operating Budget book that provides the five-year financial forecast for the Golf Fund. The FY 2011 data is the most recent financial forecast generated under the assumption that the City would continue to self operate the course.

In the FY 2012 Adopted Operating Budget book, the five-year forecast was generated based on six months of self-operating and six months of an outside firm managing the operations; remaining years are forecast under the assumption that the course would be managed by a contractor. Please note this chart shows only four years rather than five years, to be consistent with the chart showing the management option which has an initial four-year term.

The lease option term is ten years; the City does not forecast more than five years into the future.

Chart A

RedGate Fund Self Operation Forecast					
	FY 2012	FY 2013	FY 2014	FY 2015	Total
Total Revenue	1,068,456	1,100,426	1,133,355	1,167,272	4,469,509
Total Expenses	1,461,555	1,512,986	1,571,574	1,636,491	6,182,606
Net to City	(393,099)	(412,560)	(438,219)	(469,219)	(1,713,097)
Cost of Current City Obligations (interest on current debt, depreciation and admin fee)	445,077	447,681	451,164	454,700	1,798,622
Cost for City to provide all Capital Improvements, estimated by NGF at \$500,000 during this time period.	200,000	0	300,000	0	500,000
Fiscal Impact to the General Fund	(1,038,176)	(860,241)	(1,189,385)	(923,919)	(4,011,721)
SOURCE: Adopted FY 2011 Operating Budget book (Chapter 4: Five-Year Forecast, p. 4-11 - RedGate Golf Fund Five-Year Forecast)					

Chart B below represents the financial impact during the ten year term of the recommended course lease. Should the Mayor and Council approve the staff recommendation to enter into a lease with BCG, the Golf Fund will receive a guaranteed annual payment each year as well as revenue shares from the golf, pro shop, food and beverage should these areas perform as projected by BCG.

Chart B

Lease Option Billy Casper Golf											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Total Revenue*	25,936	49,439	65,701	71,694	73,045	93,164	101,534	110,162	111,916	120,936	823,527
Total Expense**	0	0	0	0	0	0	0	0	0	0	0
Net Income To Golf Fund	25,936	49,439	65,701	71,694	73,045	93,164	101,534	110,162	111,916	120,936	823,527

* = Guaranteed Annual Payment of \$12,000 (years 1-5) and \$24,000 (years 6-10), plus revenue share of golf (green fees/cart rentals/driving range/annual passes/cards), pro shop, food and beverage revenue above proposed thresholds (Attachment C). Revenue share is an estimate based on BCG's projected budget; exact amount will vary.
** = BCG's budget includes total debt service payment; plus \$325,000 in Capital Improvements and \$399,508 in ongoing Capital Improvements during the term of the agreement. The City may be required to continue to depreciate RedGate assets if the lease qualifies as an operating lease.
NOTE: The General Fund will no longer receive the \$60,000 per year Administrative Fee from the RedGate Fund during the lease term.

Chart C below represents the fiscal impact of a Management Contract based on the proposals from the four top ranked offerors.

**Chart C - Management Option
Top Four Finalists (In Order of Rank)**

Billy Casper Golf					
	Year 1	Year 2	Year 3	Year 4	Total
Total Revenue	1,461,505	1,588,269	1,683,153	1,718,642	6,451,569
Total Expense	1,392,351	1,422,257	1,451,588	1,472,316	5,738,512
Capital Reserve	0	39,707	42,079	42,966	124,752
Net to City	69,154	126,305	189,486	203,360	588,305
Cost of Current City Obligations (interest on current debt, depreciation and admin fee)	195,262	194,518	193,774	193,030	776,584
Cost for City to provide all Capital Improvements estimated by NGF at \$500,000 during this time period.	200,000	0	300,000	0	500,000
Fiscal Impact to the General Fund	(326,108)	(68,213)	(304,288)	10,330	(688,279)

Kemper Sports					
	Year 1	Year 2	Year 3	Year 4	Total
Total Revenue	1,402,500	1,491,048	1,556,795	1,602,680	6,053,023
Total Expense	1,287,703	1,299,951	1,342,620	1,375,513	5,305,787
Capital Reserve	42,075	44,731	46,704	48,080	181,590
Net to City	72,722	146,366	167,471	179,087	565,646
Cost of Current City Obligations (interest on current debt, depreciation and admin fee)	195,262	194,518	193,774	193,030	776,584
Cost for City to provide all Capital Improvements estimated by NGF at \$500,000 during this time period.	200,000	0	300,000	0	500,000
Fiscal Impact to the General Fund	(322,540)	(48,152)	(326,303)	(13,943)	(710,938)

Raspberry Golf Management					
	Year 1	Year 2	Year 3	Year 4	Total
Total Revenue	1,782,351	1,843,381	1,904,028	1,963,703	7,493,463
Total Expense	1,758,655	1,806,564	1,852,174	1,896,555	7,313,948
Capital Reserve	35,647	36,868	38,081	39,274	149,870
Net to City	(11,951)	(51)	13,773	27,874	29,645
Cost of Current City Obligations (interest on current debt, depreciation and admin fee)	195,262	194,518	193,774	193,030	776,584
Cost for City to provide all Capital Improvements estimated by NGF at \$500,000 during this time period.	200,000	0	300,000	0	500,000
Fiscal Impact to the General Fund	(407,213)	(194,569)	(480,001)	(165,156)	(1,246,939)

Landscape Golf Group					
	Year 1	Year 2	Year 3	Year 4	Total
Total Revenue	1,642,240	1,692,421	1,777,612	1,847,614	6,959,887
Total Expense	1,320,555	1,348,958	1,372,765	1,397,273	5,439,551
Capital Reserve	16,200	51,308	53,328	55,428	176,264
Net to City	305,485	292,155	351,519	394,913	1,344,072
Cost of Current City Obligations (interest on current debt, depreciation and admin fee)	195,262	194,518	193,774	193,030	776,584
Cost for City to provide all Capital Improvements estimated by NGF at \$500,000 during this time period.	200,000	0	300,000	0	500,000
Fiscal Impact to the General Fund	(89,777)	97,637	(142,255)	201,883	67,488

Separation Expenses for Current RedGate Employees

The total cost of separation expenses for all affected RedGate F.T. staff is estimated not to exceed \$165,105. Any severance package will need to be approved by the Mayor and Council at a later date.

Next Steps

Should the Mayor and Council approve the recommendation to proceed with contracting with Billy Casper Golf under the Operating Lease option, staff will proceed to finalize a lease agreement consistent with RFP requirements, the key lease elements and recommendations as described above, in a form approved by the City Attorney's Office, with the intent to transition to operation and management of RedGate under the lease on January 1, 2012.

Staff will also place on a future Mayor and Council agenda the Resolutions to approve the Admission & Amusement Tax rate reduction for public golf courses, and the rebate to BCG for the City's portion of the Property Tax.

Attachments



ATTACH A RFP #43-11 RFP and Addendums 1 and 2.pdf



ATTACH B RFP #43-11 NGF Evaluation of BCG.pdf



ATTACH C RFP #43-11 Financial Proposal.pdf



ATTACH D RFP 43-11 BCG Proposal.pdf

Department Head

Department Head: Burt Hall, Director of Recreation and Parks

City Manager

City Manager: Scott Ullery, City Manager
Approval Date: 10/07/2011